

**THE ILLINOIS STATE TOLL HIGHWAY AUTHORITY
MINUTES OF THE
FINANCE ADMINISTRATION OPERATIONS
COMMITTEE MEETING**

June 20, 2012

The Illinois State Toll Highway Authority held a Finance Administration Operations (FAO) Committee Meeting on Wednesday, June 20, 2012 at approximately 8:30 a.m. at the Central Administration Building in Downers Grove, Illinois.

Committee Members Present:

Committee Chair Mark Peterson

Director Terry D'Arcy

Director David Gonzalez (joined at 8:45 am)

Committee Chair Peterson called the meeting to order and opened the floor for public comment. No public comment was offered.

Committee Chair Peterson then called for a motion to approve the minutes of the Finance Administration Operations Committee Meeting and Executive Session held on Wednesday, May 16, 2012. Director D'Arcy made the motion to approve the minutes; seconded by Committee Chair Peterson. The motion was approved unanimously.

Insurance Procurement Process

Executive Director Kristi Lafleur introduced Mike Colsch, Chief of Finance, to give an overview of the current property and liability insurance procurement process including its effect on competitiveness and pricing as shown in the [attached presentation](#).

Director D'Arcy asked how the Tollway currently defines and selects insurance brokers. Mr. Colsch responded that currently the Tollway uses an open bidding process and submits a Request for Proposal (RFP) for a specific insurance product not a specific broker. Individual brokers will in turn seek out insurance carriers that provide that product to develop and present a package to the Tollway. The broker's fees are paid within that package. Ms. Lafleur added that this process was set-up by CMS.

Committee Chair Peterson asked whether the Tollway has the right level of insurance deductibles set-up for each of its policies. Mr. Colsch responded affirmatively and indicated that the levels of deductibles are evaluated each time a policy renewal is considered.

Committee Chair Peterson asked whether staff is comfortable with the procurement process dictated by CMS. Mr. Colsch responded that he is comfortable with the insurance product received. However, he added that he is concerned that only two brokers responded to the Tollway's RFP which could indicate that the most competitive pricing was not submitted.

Director D'Arcy asked about the use of multi-year policy terms. Mr. Colsch responded that the initial contract term is for one year with (4) one year renewal options. This arrangement allows the Tollway to negotiate with the insurance company for each one year renewal.

Committee Chair Peterson asked whether the Tollway needs to get permission from CMS to change the procurement process for property and liability insurance. Ms. Lafleur responded affirmatively. Mr. Colsch added that it could take up to 12 months to change the CMS process.

Committee Chair Peterson suggested that staff benchmark the procurement process used by other agencies and present it to the Committee for further discussion.

Operating Reserve Levels

Mr. Colsch indicated that the Board previously expressed interest in developing a policy or guiding principle for setting the operating reserve level. He reminded the Committee that under the Tollway's trust indenture, the Operating Reserve cannot be more than 30 percent of the operating budget. The Tollway's operating reserve level will likely be \$27.4 million by the end of the year which is equivalent to approximately 10 percent of the Tollway's operating budget.

Mr. Colsch indicated that the Government Finance Officers Association (GFOA) recommends that the unrestricted fund balance or reserve level for small governments or states should be equivalent to approximately two months of the operating expenses or 16.7 percent of the annual operating budget.

GFOA recommends that the level of the reserves should be evaluated based on several factors: predictability of revenues; significance of one-time outlays; and whether the fund balance is committed to specific uses.

Mr. Colsch indicated that it should be acceptable for the Tollway to have less than a two month operating reserve because Tollway revenues are relatively predictable and are significantly higher than the Tollway's expenses. He added that the Tollway has additional reserves for debt service and for capital replacement.

Committee Chair Peterson asked how much money should be in the Operating Reserve to achieve the two month reserve level recommended

by the GFOA. Mr. Colsch responded approximately \$45 million and added that the Tollway is on track to have \$27.4 million in the reserves by the end of the year.

Committee Chair Peterson indicated that he supports increasing the Operating Reserve to a level equivalent to 2 months of the Tollway's operating budget as recommended by the GFOA. He asked whether the other committee members agreed.

Director Gonzalez asked whether the unrestricted fund balance referenced in the GFOA recommendation includes accounts receivables. **Mr. Colsch responded that he was not certain but would investigate.**

Director Gonzalez indicated that he would like to know more about what is included in the unrestricted fund balance and how increasing the Operating Reserve fund balance could affect other expenditures before making decisions on the appropriate Operating Reserve level.

Executive Director: Additional Items

Executive Director Lafleur indicated that the contract items on the agenda for the pool of financial advisors and the pool of law firms to serve as bond counsel will not be presented to the Committee for consideration today because the Committee did not have sufficient time to review the information. Instead, she indicated that the information for both contracts should be complete prior to the upcoming Board meeting and will be considered by the full Board.

Committee Chair Peterson called on Mr. Colsch to present the following **Finance** items:

Item 1: Approval to write off unpaid miscellaneous receivables in the amount of \$451,078.22.

Item 2: Award of the Financial Advisory Services Contracts for an initial term of three years in an amount not to exceed \$1.5 Million.

Regarding Item 1, Mr. Colsch indicated that most of the requested write-off can be attributed to a single commercial customer that declared bankruptcy. Ms. Lafleur indicated that the Tollway no longer has commercial post-pay accounts. Director Peterson asked whether this write-off amount was comparable to write-offs in previous years. Mr. Colsch responded that write-offs in previous years ranged from approximately \$100,000 to \$600,000 over the past few years.

Committee Chair Peterson asked General Counsel whether his office reviewed the requested write-offs. Mr. Goldberg responded that he had reviewed them but that official approval from the Attorney General's Office would come after the Board approved this item.

Regarding Item 2, Ms. Lafleur indicated that the pool of firms was not finalized until the evening before the meeting and therefore she did not expect the committee to take action on this item at today's meeting. She assured the committee that all Directors would receive information about this item as well as the Bond Counsel pool prior to the Board meeting.

Director Gonzalez asked whether the previous contract extension for Financial Advisors was for one year. Mr. Colsch responded that the previous contract extension for Financial Advisors was approved for three months. He also indicated that the current contract is for an initial term of 3 years with 2 one year renewals.

Director Gonzalez asked whether there would be a diversity goal set for the Financial Advisors contract. Mr. Colsch responded that a DBE goal was not set for this contract because subcontracting opportunities were

not available. He added that there would be diversity within the pool of firms.

Director D'Arcy made a motion for approval of **Finance Item 1**; seconded by Director Gonzalez. The motion was approved unanimously. Discussion of **Finance Item 2** was deferred to the full Board.

Committee Chair Peterson called on Joe Kambich, Chief of Information Technology, to present the following **IT** items:

Item 1: Award of Contract 12-0226 to McGladrey LLP for the purchase of PCI Compliance Analysis in an amount not to exceed \$78,000 (Emergency Purchase).

Director Gonzalez made a motion for approval of **IT Item 1**; seconded by Director D'Arcy. The motion was approved unanimously.

Committee Chair Peterson called on John Donato, Chief of Procurement, to present the following **Procurement** items:

Item 1: Award of Contract 12-0094 to Advocate Health and Hospitals Corporation d/b/a Advocate Fitness for the purchase of Health Fair Screenings in an amount not to exceed \$65,100.00 (Tollway Invitation for Bid).

Director Gonzalez made a motion for approval of **Procurement Item 1**; seconded by Director D'Arcy. The motion was approved unanimously.

Item 2: Award of Contract 11-00184R to MEDTOX Laboratories, Inc. for the purchase of Drug and Alcohol Testing Services in an amount not to exceed \$60,000.00 (Tollway Request for Proposal).

Director D'Arcy made a motion for approval of **Procurement Item 2**; seconded by Director Gonzalez. The motion was approved unanimously.

Item 3: Award of Contract 12-0012 to a pool of 15 vendors for the purchase of the services of Hearing Officers in an amount not to exceed \$399,000.00 (Tollway Request for Proposal).

Director Peterson asked whether the attorneys selected as hearing officers had been vetted. Mr. Donato responded affirmatively and indicated that they have been in good standing according to the Illinois Attorney Registration and Discipline Committee for at least the last five years.

Director Gonzalez asked whether any of the fifteen lawyers chosen as hearing officers were African-American or Latino. Mr. Donato responded negatively but added that notification of this posting was sent to the Illinois State Bar Association and various DBE firms and databases. Ms. Lafleur added that two of the lawyers selected are from WBE firms.

Director Gonzalez asked how frequent the hearings were held, whether Spanish-speaking interpreters were available for these hearings and how often interpreters are needed. Mr. Donato responded that hearings are conducted 1-2 days per month and that interpreters are not specifically assigned to the hearings. However, he noted that there are Spanish-

speaking employees in the Tollway customer service center that are available to serve as interpreters upon request. Mike Catolico, Business Systems, indicated that approximately 125 hearings are conducted monthly in person and 725 conducted via mail. Mr. Catolico added that the number of hearings that require interpreters has not been tracked but could be approximated by the number of customer service calls received that need Spanish interpretation which is approximately four percent. He also noted that toll customers are advised to bring interpreters with them when possible to the hearings to avoid the appearance of bias by the Tollway-provided interpreter.

Director D'Arcy made a motion for approval of **Procurement Item 3**; seconded by Committee Chair Peterson. The motion was approved with affirmative votes from Directors D'Arcy and Peterson but opposed by Director Gonzalez.

Item 4: Award of Contract 12-0203 to Precision Control Systems of Chicago, Inc. for the purchase of Building Automation Maintenance in an amount not to exceed \$100,000.00 (Tollway Sole Source).

Director Gonzalez made a motion for approval of **Procurement Item 4**; seconded by Director D'Arcy. The motion was approved unanimously.

Committee Chair Peterson called on Paul Kovacs, Chief Engineer, to present the following **Engineering** Items:

Item 1: Award of Contract I-12-4037 to Plote Construction, Inc. for Median Shoulder Widening, Bridge Repair, and Intermittent Pavement Patching on the Jane Addams Memorial Tollway (I-90) from Milepost

45.0 (Sandwald Road) to Milepost 53.5 (Elgin Toll Plaza #9), in the amount of \$8,954,217.81

Item 2: Award of Contract I-11-5629 to R.W. Dunteman Company for Interchange Grading and Dixie Creek Realignment on the Tri-State Tollway (I-294) and I-57 Interchange from Milepost 7.25 to Milepost 7.65 in the amount of \$3,323,094.72

Regarding Item 2, Gustavo Giraldo, Chief of Diversity, indicated that despite outreach to diversity vendors to make them aware of the unbundled contracts associated with the I-294/I-57 as shown on the [attached slide](#), the Tollway did not receive bids from these vendors for Item 2.

Director D'Arcy made a motion for approval of **Engineering Items 1-2**; seconded by Director Gonzalez. The motion was approved unanimously.

Item 3: Acceptance of Proposal from HNTB Corporation on Contract I-11-4013 for Systemwide Program Management and Technical/Administrative Services, in the amount of \$69,890,000.00

Mr. Kovacs presented the [attached presentation](#) highlighting the role of the Program Management Office (PMO) in past capital programs and the role of the PMO in the Move Illinois Capital Program.

Committee Chair Peterson asked whether staff had any concerns about HNTB's ability to perform this job. Mr. Kovacs responded that based on past experience with HNTB, he is confident they can perform this job effectively. He added that due to the size of this contract, HNTB will be

prohibited from bidding on other Tollway projects during the five year term of the contract. However, the Tollway will not impose the same prohibition on subcontractors for this project.

Director Gonzalez asked about the other respondent to this contract bid – Parsons Brinkerhoff, Inc. Mr. Kovacs indicated that Parsons is also qualified to perform this function and submitted a strong proposal. However, he indicated that the selection committee determined that HNTB's proposal was stronger. Director Gonzalez asked who participated on the selection committee. Mr. Kovacs responded that the following people were on the selection committee: Michael Stone – Chief of Staff; Mike Colsch – Chief of Finance; John Donato – Chief of Procurement; Shana Whitehead – Acting Chief of Business Systems; Rocco Zuccherro – Deputy Chief of Engineering; Greg Stukel – Deputy Chief of Engineering; and a retired engineer, Carlos Bastidas, who is not affiliated with the project or the Tollway.

Director Gonzalez asked whether HNTB's financial bid was considered in the selection. Mr. Kovacs responded that the CMS process for Request for Proposal's does not allow consideration of pricing prior to vendor selection. Once the vendor is selected, the Tollway negotiates the pricing with the selected vendor. If a negotiated price cannot be reached, then the Tollway is allowed to negotiate with the qualified bidder with the second highest score.

Director Gonzalez made a motion for approval of **Engineering Items 3**; seconded by Director D'Arcy. The motion was approved unanimously.

Item 4: Acceptance of Proposal from HR Green, Inc. on Contract I-11-4028 for Construction Management Services for Bridge Reconstruction

and Widening on the Jane Addams Memorial Tollway (I-90) from Milepost 27.4 (Mosquito Creek) to Milepost 42.3 (US Route 20) in the amount of \$1,999,662.80.

Item 5: Acceptance of Proposal from Milhouse Engineering and Construction, Inc. on contract I-11-4038 for Construction Management and Inspection Services for Roadway Widening on the Jane Addams Memorial Tollway from Milepost 17.4 (I-39) to Milepost 53.8 (Elgin Toll Plaza #9) in the amount of \$2,900,000.00.

Director Gonzalez made a motion for approval of **Engineering Items 4-5**; seconded by Director D'Arcy. The motion was approved unanimously.

Item 6: Final Release of Retainage on Contract I-09-5599 to IHC Construction Companies, LLC, for Roadside Improvement Project on the Tri-State Tollway (I-294/I-94) from Milepost 1.0 (Lincoln Oasis) to Milepost 52.8 (Edens Spur Ramp); and on the Tri-State Tollway (I-94) from Milepost 1.0 (Russell Road) to Milepost 25.2 (Edens Spur) in the amount of \$142,752.42.

Item 7: Final Release of Retainage on Contract RR-10-5617 to William Charles Construction Company, LLC/Rock Road Companies, Inc., Joint Venture, for Roadway and Bridge Rehabilitation on the Jane Addams Memorial Tollway (I-90) from Milepost 17.0 (Newburg Road) to Milepost 45.0 (Sandwald Road) in the amount of \$43,600.00

Item 8: Final Release of Retainage on Contract RR-10-9012 to RoadSafe Traffic Systems, Inc., for Pavement Markings Upon Request, Systemwide, in the amount of \$132,919.94.

Director Gonzalez made a motion for approval of **Engineering Items 6-8**; seconded by Director D'Arcy. The motion was approved unanimously.

Committee Chair Peterson called on David Goldberg, General Counsel, to present the following **Legal** items:

Item 1: An Intergovernmental Agreement with the Village of Glenview and the Glenview Park District. Cost to the Tollway: Up to a maximum of \$35,458.45.

Director D'Arcy made a motion to approve **Legal Item 1**; seconded by Director Gonzalez. The motion was approved unanimously.

Item 2: An Intergovernmental Agreement with the Illinois State Police. Cost to the Tollway: \$0.

Director Gonzalez made a motion to approve **Legal Item 2**; seconded by Director D'Arcy. The motion was approved unanimously.

Mr. Goldberg asked that discussion of **Legal Item 3** be deferred to the full Board. Committee Chair Peterson agreed.

There being no further business, Committee Chair Peterson requested a motion to adjourn. Motion to adjourn was made by Director D'Arcy; seconded by Director Gonzalez. The motion was approved unanimously.

The meeting was adjourned at approximately 10:20 a.m.

Minutes taken by: _____

Tranece Artis
Board Secretary
Illinois State Toll Highway Authority